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Proposed programme budget for the biennium 2004-2005

Administrative expenses of the United Nations Joint Staff Pension Fund

Tenth report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Standing Committee of the United Nations Joint Staff Pension Board on the administrative expenses of the United Nations Joint Staff Pension Fund (A/58/214 and Corr.1). During its consideration of the report, the Committee met with the Chairman of the Standing Committee, the Chief Executive Officer of the Fund and the representative of the Secretary-General for the investments of the Fund. The Advisory Committee also met with the Under-Secretary-General for Internal Oversight Services on questions related to the Fund's internal audit arrangements.

2. The report of the Standing Committee of the United Nations Joint Staff Pension Fund is submitted pursuant to the decisions of the General Assembly contained in its resolution 46/220 of 20 December 1991. The report includes the revised estimates and performance report for the biennium 2002-2003, the proposed budget estimates for the biennium 2004-2005 and a request for authorization to supplement voluntary contributions to the Emergency Fund for the biennium 2004-2005 by an amount not exceeding $200,000.

3. **The Advisory Committee notes the improvement in presentation of the budget document, compared with the previous budget submission. Nevertheless, the Committee trusts that efforts will be made to further streamline and improve the report. For example, information in section III, "Summary of resource requirements for the biennium 2004-2005", and section IV, "Budget estimates for the biennium 2004-2005", should be streamlined and combined into a single section of the budget document. Table 2**

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in section IV of the budget submission should be replaced with the current table 23 (see A/58/214, sect. V), which should contain the grand total for the table. The current table 3 should also contain the grand total. Tables 24, 25 and 26 (ibid.) duplicate, to a large degree, information contained in table 3 and could therefore be dispensed with. Instead, the proposed staffing structure for each unit should be reflected in the organization chart of the Fund secretariat and the Investment Management Service. The budget document should also differentiate more clearly between requests for temporary posts and requests for general temporary assistance. For example, table 8 of the budget document (see A/58/214, sect. IV) shows an increase of one post (from 44 to 45), while the justification for the increase in paragraph 57 is given for 24 additional work months of general temporary assistance.

II. Revised budget estimates and performance report for the biennium 2002-2003

4. The Standing Committee approved the submission to the General Assembly of the revised estimates for expenses chargeable to the Fund for the biennium 2002-2003 amounting to $80,278,200, representing a net reduction of $5,114,500, as compared with the appropriations of $85,392,700 (see A/58/214, para. 9). However, the possible reduction in the revised budget estimates for the biennium 2002-2003 might be partially offset by expenditures for furniture and fittings in connection with the relocation of the Fund secretariat, including the Investment Management Service, to premises outside the United Nations Secretariat building (see A/58/214, annex I.A, para. 1), if those expenditures are incurred in 2003. The Advisory Committee was informed, upon enquiry, that the total costs of the relocation are being determined with the assistance of the United Nations Facilities Management Division and that the preliminary estimate for furniture and fittings is $3.8 million (see also paras. 9 and 21 and 22 below).

5. The Advisory Committee notes that the reported reduction of $5,114,500 includes, under administrative costs, an amount of $2,964,900, which will be carried over to the biennium 2004-2005 to continue funding those re-engineering projects that have been postponed due to lack of office space. The Committee requested information on the expectations and benefits related to the re-engineering projects and the breakdown of the carry-over amount of $2,964,900. The requested information is contained in annex I to the present report. The Committee also sought clarification regarding two projects (knowledge management system and ethernet migration), the funding for which is included in the carry-over amount, although they are scheduled for completion in December 2003. The secretariat provided the following clarification:

> "The United Nations Joint Staff Pension Fund expects to use the remaining funding for these projects to conduct a post-implementation review in accordance with the Fund's systems development methodology, phase seven, which has been employed in each re-engineering project. The post-implementation review phase of the project requires that the full project team remain in place, albeit part time, to monitor the system for a period of up to three months after deployment. At the conclusion of this phase, the

maintenance team will assume full responsibility for the remaining life of the system."

6. As indicated in the report of the Standing Committee (A/58/214, table 1 and para. 9), savings in the amount of $2,149,600, realized under investment costs, relate to contractual services. The Advisory Committee was informed, upon enquiry, that the savings resulted mainly from lower fees for small capitalization account managers, which were negotiated under new contracts effective 1 January 2002. When estimates for the 2002-2003 biennium were submitted for approval, negotiations on new fees had not yet been finalized. Part of the savings also resulted from a decline in the market value of the Fund. Fees paid to discretionary managers are based on basis points of the market value of the portion of the Fund that they manage.

III. Proposed budget for the biennium 2004-2005

7. The proposed budget of the Fund for the biennium 2004-2005 amounts to $91,214,700 (before recosting), comprising administrative costs of $47,147,900, investment costs of $42,407,000 and audit costs of $1,659,800. The proposed budget includes the Pension Fund share of $78,007,000 and the United Nations share of $13,207,700 (see A/58/214, table 2). In addition, extrabudgetary resources of $623,100 are projected for the Fund for the biennium 2004-2005.

8. The estimate of $47,147,900 (before recosting) for administrative costs for the biennium 2004-2005 represents resource growth of $6,328,500, including 3 per cent of real growth, as compared to the appropriation of $40,819,400 for 2002-2003 (see A/58/214, table 2). The resource growth in the proposed administrative expenditures relates, for the most part, to costs associated with the relocation of the Fund to new premises ($3,512,300), new posts and reclassifications ($1,499,300) and to bank charges ($1,430,000) that were previously reflected under investment costs.

9. With regard to the increase of $3,512,300 for relocation, the Advisory Committee notes from the budget document (A/58/214, annex I.B, para. 7 (a)) that the Standing Committee believed that this amount would be sufficient for the move to new premises and the provision of adequate space for existing staff, with ample leeway for further expansion. The Committee was provided, upon request, with a detailed breakdown of the $3.5 million increase attributable to relocation costs, which is contained in annex II to the present report (see also paras. 21 and 22 below).

10. A total of 170 posts (160 established posts, 9 temporary posts and 1 extrabudgetary post) are projected for the Fund's administrative and investment operations for 2004-2005 (see A/58/214, table 3). A summary of post requests is also contained in the budget document (ibid.). All changes to the staffing requirements relate to the Fund's administrative operations. The secretariat has clarified, upon enquiry, that its request for an additional 24 work months of General Temporary Assistance (see A/58/214, para. 57) represents in fact a request for 1 new temporary General Service (Other level) post, reflected in tables 3, 8 and 24 of the budget document (see also para. 3 above).

11. Two reclassifications are proposed for the Office of the Chief Executive Officer (CEO): the post of Deputy CEO from D-1 to D-2; and the post of Special

Assistant to the CEO from P-4 to the P-5 level. Information relevant to the proposed reclassifications is contained in the budget document (A/58/214, paras. 25 and 26). **The Advisory Committee recommends acceptance of the proposed reclassifications.**

12. One new General Service (Other level) post is requested in the Office of Chief of Operations for a word-processing specialist responsible for updating and formatting all Pension Fund forms and training documents. Information in support of the new post is contained in paragraph 33 of the budget document. **The Advisory Committee recommends the establishment of an additional General Service (Other level) post in the Office of Chief of Operations.**

13. Under the Participation, Entitlements and Client Services Section, a proposal is made for reclassification of a G-6 post to the G-7 level and for an additional temporary General Service (Other level) post. Information relevant to this proposal is contained in the budget document (A/58/214, paras. 56 and 57). **The Advisory Committee recommends approval of the proposed reclassification and establishment of an additional temporary General Service (Other level) post in the Participation, Entitlements and Client Services Section.**

14. Three additional General Service (Other level) posts (two regular budget and one extrabudgetary) are requested for the Financial Services Section as follows: (a) two posts (one regular budget and one extrabudgetary) are requested for the Payments Unit; and (b) one post is requested for the Cashier Unit. Information in support of the requested posts is contained in the budget document (A/58/214, paras. 91 and 102, respectively).

15. The Advisory Committee notes that with the addition of one regular budget General Service (Other level) post to the Payments Unit, the Fund will be able to clear the backlog of cases related to overpayment and recovery. **The Advisory Committee recommends the establishment of an additional regular budget General Service (Other level) post for the Payments Unit.**

16. The new extrabudgetary General Service (Other level) post in the Payments Unit would deal with the processing of after-service health insurance deductions. The Advisory Committee notes that the number of subscribers to after-service health insurance has increased from just over 2,000 in 1989 to more than 20,000 as at December 2002. **The Advisory Committee has no objection to the establishment of an additional extrabudgetary General Service (Other level) post in the Payments Unit.** The secretariat clarified, upon enquiry, that the cost of this extrabudgetary post is included in the extrabudgetary estimates of $623,100 and not in the administrative costs as indicated in the budget document (A/58/214, para. 20).

17. With regard to the additional General Service (Other level) post for the Cashier Unit, the Committee notes from the budget document (A/58/214, para. 102) that the request is made in view of the increased number of beneficiaries, from 15,000 in 1980 to about 51,000 in 2002, with payments being issued to more than 190 countries. **The Advisory Committee is of the view that the reference by the secretariat to the 1980 statistics benchmark does not appear to be appropriate, since the need for additional posts should be, in principle, justified in terms of recent or anticipated programmatic and workload changes.** The Committee notes from the budget document (A/58/214, annex IV) that the number of beneficiaries increased from 48,069 in 2000 to 49,416 in 2001, or by 2.8 per cent,

and from 49,416 in 2001 to 51,028 in 2002, that is by 3.3 per cent. **The Advisory Committee does not consider this increase as a sufficient justification for an additional post. Moreover, while the Committee recognizes that the evolving nature of the banking industry worldwide and the development of worldwide payment systems have made the work of the Cashier Unit more complex, it is of the view that recent technological innovations have simplified many of the banking processes that once required complex transactions and interactions. Taking into account the above, the Advisory Committee does not recommend the establishment of an additional post in the Cashier Unit.**

18. A proposal is made, under the Information Management Systems Section, for the reclassification of a P-5 post of the Chief Information Officer to the D-1 level and the conversion of two temporary P-3 posts into established posts. Information in support of the proposal is contained in the budget document (A/58/214, paras. 154-156). **The Advisory Committee recommends approval of the requested reclassification and conversions.**

19. For the Geneva office, a proposal is made for the reclassification of the post of Chief of the Participation, Entitlements and Contributions Section from P-4 to P-5 and for the establishment of two additional posts (one P-4 for the Participation, Entitlements and Contributions Section and one P-3 for the Finance and Information Systems Section). Information in support of the proposal is contained in the budget document (A/58/214, paras. 124 and 139). According to the secretariat, the Participation, Entitlements and Contributions Section processed all benefits in less than 15 days after receipt of separation documents; in the four year from 1999 to 2002, this was done in six, nine, eight and nine calendar days, respectively. **The Advisory Committee welcomes this information and recommends approval of the requested reclassification. With regard to the new P-4 post, the Committee is of the view that the justification for the post appears to be somewhat generic and that it is not evident from the budget document what impact, if any, the addition of the post could have on the work of the Section. The Advisory Committee does not, therefore, recommend the establishment of an additional P-4 post for the Participation, Entitlements and Contributions Section.**

20. With regard to the proposed establishment of a P-3 post for the Finance and Information Systems Section, the Advisory Committee notes from the budget document (A/58/214, para. 139) that the post would enable the Section to handle the increased workload (2,900 cases of benefit processing in 2002, compared with 1,183 cases in 1999, a 145.1 per cent increase) and that the incumbent of the post would assume also other functional responsibilities, including those which would contribute to eliminating financial risks. **The Advisory Committee recommends approval of the proposed establishment of an additional P-3 post for the Finance and Information Systems Section.**

21. Information on the rental of new premises for the Fund secretariat and the Investment Management Service is contained in the budget document (A/58/214, para. 19 and annex I.C). As explained in the report, the Fund had considered moving to premises in a new 25-story building, purchased in early 2003 by the Investment Management Section as an investment, but a decision was subsequently taken not to move to the building. The Advisory Committee notes that some members of the Standing Committee expressed strong concern about the time taken to reach that decision because "it had resulted in significant financial losses for the Pension Fund

and delays in programme implementation". The Committee sought clarification with regard to the financial losses and delays in programme implementation and was informed as follows:

> "It is to be noted that paragraph 13 of annex I refers to the observations by some members of the Standing Committee that the United Nations Joint Staff Pension Fund had incurred financial losses, with a loss of rent as regards its investment return, since several floors in the building purchased by the Fund as an investment had remained vacant for a significant period, awaiting occupancy by the Fund. Additionally, work had been undertaken by consultants on the architectural and engineering design of the space, and senior managers of the Fund had spent considerable amounts of time and effort working on the assessment of requirements and the subsequent expected relocation. These delays affected the implementation of the re-engineering projects and involved additional time in developing contingency plans."

22. In this regard the Advisory Committee recalls that in its report (A/56/7/Add.1, para. 27), the Committee requested, inter alia, that it be apprised in the first instance when a firm determination is made that additional space would have to be acquired. **The Advisory Committee is of the view that financial losses and delays in programme implementation referred to in the above paragraph could have been considerably, if not entirely, avoided had the Committee been informed as requested.** Annex II to the present report contains additional information on the rental of premises for the 2002-2003 and 2004-2005 bienniums submitted by the Fund secretariat, upon request.

23. Travel requirements for 2004-2005 amount to $371,600 (before recosting) under administrative costs, reflecting an increase of $84,700, that is, 29.7 per cent compared with the approved appropriations for travel in 2002-2003 of $286,900 (see A/58/214, table 23). The Advisory Committee observes that much of the increase falls under the Office of the Chief Executive Officer ($54,700) and the Geneva office ($25,000). The Committee notes from the budget document (A/58/214, paras. 28 and 107) that the increase in travel requirements relates mainly to more frequent visits to various duty stations for pension seminars, local training and workshops. **The Advisory Committee recalls that it had expressed reservations and criticism with regard to the travel requirements of the Fund for the biennium 2002-2003, which reflected an increase of 24.5 per cent. The Committee regrets that travel requirements of the Fund still show a very significant rate of growth for the coming biennium (29.7 per cent) and reiterates its observation that it "is not convinced that the increase in the provisions for travel is fully warranted and believes some economies may be possible" (see A/56/7/Add.1, para. 28). The Committee trusts that further technological developments, such as the highly functional and up-to-date web site of the Fund, automation and computerization of manual work-types, IMIS interface and videoconferencing, contribute to reducing the travel expenditures of the Fund secretariat.**

24. As indicated in the budget document (A/58/214, table 23), audit costs (both internal and external) of the administrative and investment operations of the Fund are estimated at $1,659,800 (before recosting) for the biennium 2004-2005, reflecting resource growth of $491,600, or 38.6 per cent compared with the appropriation of $1,168,200 for the biennium 2002-2003. The total estimated audit cost of $1,659,800 comprises the cost of external audit ($483,600) and internal audit

($1,176,200). As indicated in the budget document (A/58/214, para. 197), about half of the audit costs (both internal and external) relate to administrative operations and half to investment activities; furthermore, one third of the audit costs of the Fund's administrative operations is borne by the United Nations under the cost-sharing arrangement. The increase of $58,300 under external audit relates to the estimated cost of a special audit recommended by the Advisory Committee in its 2002 report on the United Nations pension system (A/57/490) (see also paras. 26 and 27 below).

25. As regards internal audit costs, the Advisory Committee notes from the budget document (A/58/214, para. 200) that the Internal Audit Division of the Office of Internal Oversight Services (OIOS) had requested funding for two additional P-4 posts and $425,000, at 2003 rates, for additional expenses, including consultancy fees, travel and equipment, in order to be in a position to implement the comprehensive work plan. However, the Standing Committee decided that, "as from the 2004-2005 biennium, a small internal audit unit should be established within the Fund secretariat, with consultants being retained when specialized expertise was needed in any particular area. For that purpose, the budget proposals for 2004-2005 would include resources totalling $1,242,400, to cover, under general temporary assistance, two Professional posts and one General Service post, as well as sufficient funds to retain specialized experts as necessary" (see A/58/214, annex II.C, para. 10). The Committee exchanged views with representatives of the Secretary-General and the Chief Executive Officer and obtained additional information from the Under-Secretary-General for Internal Oversight Services. In the following paragraphs, the Committee has taken into account the additional information it received orally and in writing regarding internal audit services for the Fund.

26. The Advisory Committee recalls that the Board of Auditors reviewed the work performed by OIOS in 1999, 2000 and 2001 and was "pleased to acknowledge the valuable work done by OIOS in providing sound internal audit services to the Fund and to the Investment Management Service" (A/57/9, annex XII, para. 104). Furthermore, the Committee recalls that it had commented extensively on the internal audit of the Fund in its 2002 report on the United Nations pension system (A/57/490, paras. 24-26). In particular, the Committee's following observations and recommendations (ibid., para. 26) directly relate to the matter:

> **"The Committee points out that, during its review of the matter, it was not provided with any compelling argument in support of a decision to discontinue the internal audit services of the Office of Internal Oversight Services. The Committee cautions against a hasty decision on this matter. Before the current arrangement is modified, the cost-effectiveness of such a change needs to be analysed thoroughly. The Advisory Committee recommends that the Board of Auditors carry out an assessment of the capacity and professional expertise required by the Office of Internal Oversight Services to provide internal audit services to the administrative and investment activities of the Pension Fund, in accordance with commonly accepted industry standards for the audit for the biennium 2002-2003. The Board of Auditors may wish to have recourse to outside expertise for this assessment. In this connection, the Committee recalls its comments and recommendations in paragraph 13 of its report A/57/439."**

27. The Advisory Committee points out that the Board of Auditors has not yet carried out the requested assessment of the capacity and professional expertise required by OIOS to provide internal audit services to the administrative and investment activities of the Pension Fund, in accordance with commonly accepted industry standards for the audit for the biennium 2002-2003. **The Advisory Committee reiterates its view that no changes should be made either to the existing internal audit arrangements of the Fund, or to the role and mandate of OIOS, pending the Board of Auditors' assessment.**

28. **The Advisory Committee recommends that, taking into account its comments and recommendations in the paragraphs above, the revised estimates for the biennium 2002-2003 be approved in the amount of $80,278,200 (subject to what is stated in para. 4 above) and that the proposed budget for the biennium 2004-2005 for the administrative expenses of the Fund be approved in the amount of $94,685,200. The latter amount represents a reduction of $394,100, which reflects the reduction of one P-4 post (see para. 19 above) and one General Service (Other level) post (see para. 17 above). Furthermore, the Committee has no objection to the proposal by the Standing Committee to supplement the voluntary contributions to the Emergency Fund by an amount not exceeding $200,000 for the biennium 2004-2005 (see A/58/214, paras. 201-203).**

Annex I

Note for the Advisory Committee on Administrative and Budgetary Questions regarding expectations of the United Nations Joint Staff Pension Fund regarding re-engineering projects

1. As a result of the discussions held with the Advisory Committee on Administrative and Budgetary Questions on 22 October 2003, the United Nations Joint Staff Pension Fund has been requested to provide a summary of its expectations regarding re-engineering projects. The re-engineering projects of the Fund can be classified into three categories; infrastructure, productivity and information dissemination. Projects in each category add value to the operation in different ways.

2. **Infrastructure projects** are normally completed before implementation of productivity-based projects, but some overlap is possible. It is important to maintain an acceptable risk-free level of service while creating the foundation for productivity enhancing applications. The Fund is actively working to complete the following infrastructure projects:

3. **Information security system**: The Fund will establish an enterprise-wide security policy on its physical infrastructure, which will be centrally administered across multiple systems. Features such as data encryption and authorization will be supported to ensure the confidentiality and integrity of information, as well as to enhance the Fund's security environment to accommodate the exchange of information over the Internet, since the risk of intrusion is magnified once web applications are made available to all participants and beneficiaries.

4. This is an infrastructure enhancement project and does not provide productivity or quality of service returns. The benefits are considered as risk avoidance.

5. **Ethernet migration**: The Fund's existing network topology (Token Ring) will soon be phased out as a supported product by the manufacturer. Although this technology has served the Fund well for over 10 years, we must migrate to Ethernet, which is now the accepted industry standard. Since this conversion will require the purchase of new hardware and software, it will be necessary to reconfigure each device connected to the Fund's substantial network.

6. This is also an infrastructure enhancement project and will not provide productivity or quality of service returns. The benefit of this project should be classified as risk avoidance.

7. **Workflow system upgrade**: The Fund's current workflow system must be upgraded to a newer version, involving significant changes to the underlying application code. These programmes were previously customized to meet the needs of the Fund's complex business process. The new version will contain enhanced features, which will be integrated with the data warehouse system and web applications.

8. The Fund has been informed by the manufacturer of the workflow software product currently in use that all customers must upgrade to the new version of the

product or risk loss of support from the vendor. The fund relies on the workflow system to trace pension cases and store documents electronically. Disruption of service would carry serious consequences for productivity, quality and timeliness of service.

9. This is an infrastructure enhancement project, but it will also provide productivity and quality of service returns over the longer term, once the system is integrated with the data warehouse and web-enabling applications. The benefits over the short term should be classified as risk avoidance.

10. **Knowledge management system**: The knowledge management system will provide a facility to identify and consolidate all relevant policy, procedural and operational material into a database and make it readily available to the staff of the Fund and its member organizations. The system will offer collaboration functionality and permit the capture, assignment, retention and display of objects (e-mail, voicemail, groupware and video). Advance features, including bulletin boards, frequently asked questions, integrated workflow, online document editing (text and graphics), hyperlinks to other sources, intelligent search engines and the integration of other databases, will be present in the underlying system infrastructure.

11. The Fund's operations have become more complex in recent years, due in large part to frequent changes in procedures and rules, often based on decisions reached in the Pension Board and its Standing Committee and the General Assembly. The risk of error in benefit calculation and payment processing increases when these changes become effective. A central repository containing historical material would help to ensure that staff have a comprehensive understanding of processing practices.

12. This is an infrastructure enhancement project, but it will also provide productivity and quality of service improvements over the longer term. The immediate benefit, however, should be classified as risk avoidance.

13. **Storage area network**: As a consequence of the continuing increase in the volume of data collected from member organizations, participants and beneficiaries, it is recommended that a central repository for data storage be created. Storage area network technology provides a platform for storing large amounts of information, which is centrally managed and accessible over high-speed networks. As a result, the Fund will have greater control over data access and distribution, enhancing security and further protecting the confidentiality of sensitive information. The proposed data warehouse would physically reside in the storage area network and would benefit from improvements in access timeliness. Data backup and recovery activities, which can be automatically invoked, will also be streamlined.

14. Integrated data storage on a central repository will improve access to data and decrease the risk of data loss. Centralized control of data import and distribution will improve security and protect the privacy of sensitive information.

15. This is an infrastructure enhancement project and does not immediately provide productivity or quality of service returns. The benefits are classified as risk avoidance.

16. **Productivity enhancing** projects provide opportunities to reduce or avoid future costs and improve the quality of service to participants, beneficiaries and member organizations. They provide the automation necessary to have a material

effect on the Fund's key business processes. The Fund's primary productivity enhancing re-engineering project is the data collection system described below.

17. **Data collection system**: The volume of paper-based transaction information has increased significantly over the past several years. Automated linkages to the member organizations will significantly reduce the manual processing effort and will, in turn, provide performance, productivity and quality-of-service improvements. Failure to implement this project may result in backlogs and possibly require additional staff resources.

18. The data collection system is a series of programmes that permit the sharing of data between member organizations and the Fund. Each subsystem is customized to accommodate the computing environment of the particular member organization, taking into consideration its unique business rules.

19. Those United Nations organizations and specialized agencies that share common personnel and finance systems will also share a common Pension Fund application system template, which can be modified as necessary. Representatives from the Information Management Systems Service will work with the information technology staff from the member organizations to design, develop, test and maintain the applications once the project begins. This is a labour-intensive effort, which requires consulting resources to develop the necessary integrated systems (for example, the United Nations Integrated Management Information System interface).

20. As a result of the Fund's process re-engineering and technical assessment studies, opportunities for productivity and quality of service improvements were identified. As noted in the report of the Standing Committee of the Fund (A/58/214, para. 13):

> "The Fund will need to have additional resources in place in order to deal with the increased activities associated with the overall growth in the number of participants and beneficiaries. The requirements for new posts (biennium 2004-2005), which are needed to deal with such growth in workloads, have been kept at a minimum level, through major changes in administrative processes and expected increasing reliance on information technology. This is the case with the Participation, Entitlements and Client Services Section in New York (formerly the Pension Entitlements Section), by far the largest section of the Fund, where recent process improvements have yielded productivity gains and where further gains are expected once computerization of manual work-types and the Integrated Management Information System (IMIS) interface, all part of the information technology re-engineering project, are fully operational. As a consequence, no new established posts are requested by the Fund for this Section for the next biennium, although, in view of the increasing volume of work over the past two years and the need to specify and test the system improvements, 72 work-months of general temporary assistance is requested."

After implementation of the data collection system, the Fund intends to monitor progress against productivity improvement estimates and modify expectations accordingly.

21. **Information dissemination** projects provide the means to share important data with participants, beneficiaries, member organizations and Pension Board members. The web is the most popular vehicle to quickly and accurately transport

information. Improvements in participant and beneficiary service will be readily noticeable. Long-term cost avoidance is also possible, based on a reduced volume of incoming and outgoing written correspondence. The benefits associated with these projects are, however, primarily oriented towards quality of service. Many participants and beneficiaries expect the Fund to provide this service over the coming years. The Fund has determined that the following re-engineering projects are central to information dissemination:

22. **Web-enabled applications**: It is envisioned that access to information over the web will be very popular among participants and beneficiaries and will continue to grow in popularity in the coming years. The web applications to be provided include benefit estimates of future entitlements, separation case tracking, cost-of-living notification, tax statement reporting and annual statement retrieval. The standard features currently provided via the Fund's web page and Intranet system will also be integrated into this comprehensive web-based system.

23. Improvements in participant and beneficiary service will be readily noticeable. Long-term cost avoidance is also possible, based on reduced volume of incoming and outgoing written correspondence.

24. **Data warehouse system**: The data warehouse system will provide a secure centrally administered data repository for all information imported from the data collection system. It will also provide sophisticated data transformation and reporting capabilities in a multi-system database environment. The Fund will accept and retain historical data from the member organizations and will be better positioned to proactively verify eligibility criteria for new entries, validations and restorations. The analytical features of the data warehouse system will improve the accuracy of future entitlement estimates and provide the web-enabled applications with related status data for viewing by member organizations, participants and beneficiaries.

25. In order to develop the foundation for data exchange and reporting between the Fund and the member organizations, the data collection system must be provided with a data repository. The data warehouse provides this facility as an efficient means to manage and review the imported data.

26. Long-term cost avoidance may be possible along with quality-of-service improvements. Progress will be monitored and compared to expectations in the 2004-2005 biennium.

Appendix

Additional information requested by the Advisory Committee on Administrative and Budgetary Questions regarding re-engineering expenditures of the United Nations Joint Staff Pension Fund

Project	*Approved funding 2002-2003*	*Funding to be carried over to completion*	*Completion date*
	(In United States dollars)		
Infrastructure enhancement projects			
Knowledge management system	1 023 273	26 815	December 2003
Information security	1 215 948	348 762	June 2004
Ethernet migration	458 944	34 511	December 2003
Workflow and processing	864 000		March 2004
Storage area network	1 173 683	1 173 683	March 2004
Future direction projects			
Data collection system	1 141 826	97 672	December 2005
Data warehousing	924 417	692 670	June 2005
Web application enablement	929 246	590 750	December 2004
Total	**7 731 337**	**2 964 863**	
Object of expenditure			
Contractual services		1 714 900	
Equipment		1 250 000	
Total		**2 964 900**	

Annex II

Rental of premises for the United Nations Joint Staff Pension Fund for the 2002-2003 and 2004-2005 bienniums

Proposed relocation to external premises

Background

1. At its 184th meeting in July 2001, the Standing Committee supported the proposals of the Chief Executive Officer/Secretary regarding the rental of premises, alterations and improvements to the computer room and new office space for the United Nations Joint Staff Pension Fund. The Standing Committee further recommended that the CEO/Secretary look into the possibility of acquiring premises for the Fund secretariat and the Investment Management Service (IMS) outside the United Nations and report back to the Board at its next session in July 2002 (A/56/289, annex IV, paras. 26 (h) and 27).

2. It should also be noted that, during 2001, the United Nations had urged the Fund to "relocate to other premises by the end of 2002" because of its own need to provide office space for United Nations programmes and activities. Furthermore, in light of the proposed United Nations Capital Master Plan, there is increased pressure for the Fund, including its computer room, to relocate elsewhere.

3. Accordingly, during the third quarter of 2001, the Fund worked with concerned officers of the United Nations on short-term solutions to accommodate its immediate space requirements related to the re-engineering projects. At the same time the CEO/Secretary initiated a search for permanent premises to house the New York offices of the Pension Fund, including IMS. Consultations were held with relevant United Nations officials, including the representative of the Secretary-General for the investments of the Fund. In the fall of 2001, a suitable property was identified in the vicinity of United Nations Headquarters. Negotiations to acquire the building failed, however, because the owners ultimately decided to sell individual floors of office space under a condominium offering plan.

4. In July 2002, the CEO/Secretary informed the Board that a search for permanent premises for the Pension Fund and IMS had been initiated in conformity with a recommendation made by the Standing Committee in July 2001. The Board expressed its support for the efforts of the CEO/Secretary to continue to search for permanent premises for the Fund in New York and requested that a report thereon be submitted to the Standing Committee in 2003.

5. An investment decision was made by the representative of the Secretary-General in late 2002 to acquire a building, located at 222 East 41st Street, near Headquarters. The Fund considered occupying some floors in that building as from July 2003, but the appropriate approval of the United Nations was not obtained.

1 Dag Hammarskjöld Plaza building

6. In August 2003, the Fund explored several alternatives for the relocation of its offices to more appropriate accommodations outside the United Nations Secretariat building. With the assistance of the United Nations Facilities Management Division, the Fund identified office space that would meet its long-term requirements: as is

customary with building leases, capital costs of approximately $2 million related to the construction or refurbishment of offices would be included in the lease agreement and amortized over the lease term. Furthermore, approximately $3.8 million is expected to cover the costs of construction of offices and the acquisition of related furniture and furnishings. Projected occupancy by the Fund would be early in 2004. Over the available 11-year lease period, the Fund would pay approximately $37 million for the occupied space, and would also incur other annual recurrent costs payable to the United Nations, such as security and messenger services, communications and other related infrastructure costs yet to be determined. The United Nations contribution to the cost of the new premises has not yet been defined, although, the Fund has received assurances that the United Nations will adhere to the terms of its existing cost-sharing agreement with the Fund. The cost of space occupied by IMS in the new premises would continue to be charged in full against investment income.

7. In net terms, the Fund currently reimburses the United Nations for the full annual cost of the space occupied by IMS in New York and for two thirds of the cost of the space occupied by the Fund secretariat in New York and Geneva. The annual rental rates charged by the United Nations were at local commercial rates: for the 2002-2003 biennium the rents amounted to $1,482,900 for the Fund secretariat in New York; $186,100 for the Geneva Office; and $850,900 for IMS. Rates are expected to rise for the biennium 2004-2005.

8. If no unforeseen costs are incurred during 2003, there is no requirement for revisions to be made in the approved budget for 2002-2003. However, the costs of furniture, fixtures and other construction costs (see para. 6 above) would have to be borne from 2002-2003 resources, as no provision has been made for such costs in the budget proposals for 2004-2005.

9. As regards future costs, the provision for the 2004-2005 biennium would cover 24 months of rent of outside premises (while the provision for 2004-2005 was based on the anticipated rental costs at 222 East 41st Street, it would be sufficient for the rental of other suitable premises). A breakdown of the resource growth ($3,512,300) reflected under administrative costs in the report of the Standing Committee (A/58/214, para. 20, and table 3) is as follows:

Rent	
Pension Fund central secretariat share	6 069.7
Uganda House	399.1
6th floor, United Nations Secretariat	37.7
Geneva Office	282.6
Total rent	**6 789.1**
Operating costs	
Pension Fund central secretariat share	513.4
Total requirements for 2004-2005	7 302.5
2002-2003 provision	(3 428.1)
Net increase required	3 874.4
Standing Committee adjustment	-362.1
Net increase recommended by the Security Council	**3 512.3**

It should be noted that (a) these estimates assume that the Fund's computer room would remain on the 6th floor of the United Nations Secretariat for three months while the existing computer room at the new premises is being refurbished; (b) for the Geneva Office, a small increase ($2,300) is expected over the provision for the biennium 2002-2003; and (c) operating costs projected for 222 East 41st Street include electricity, air conditioning, rubbish removal and the use of the freight elevator.